

E-filing

FILED

OCT 21 2010

PICHARD W. WIEKING
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
OAKLAND

Full
Dow
iss.

(15)

ADR

RS

1 DONALD AMAMGBO, ESQ.
2 AMAMGBO & ASSOCIATES
3 Post Office Box 13315, PMB #148
4 Oakland, California 94661
Telephone: (510) 615-6000
Facsimile: (510) 615-6025
Email: Donald@amamgbolaw.com

5 REGINALD TERRELL, ESQ.
6 THE TERRELL LAW GROUP
7 Post Office Box 13315, PMB #148
Oakland, California 94661
Telephone: (510) 237-9700
Facsimile: (510) 237-4616
Email: Reggiet2@aol.com

10 UNITED STATES DISTRICT COURT

11 NORTHERN DISTRICT OF CALIFORNIA

12 TAYLOR SAFE, individually and on behalf of
13 all others similarly situated,

CASE NO.:

C10-04762

14 Plaintiff,

CLASS ACTION COMPLAINT

15 v.

DEMAND FOR JURY TRIAL

16 BRITISH PETROLEUM, ANTHONY
17 HAYWARD,

18 Defendants.

19
20
21
22

23 NATURE OF THE ACTION

24
25 1. This is a securities class action on behalf of purchasers of the American
26 Depository Receipts ("ADRs") of British Petroleum PLC("BP") during the period from April 16,
27 2009 to May 21, 2010, inclusive(the "class period"), against BP and Anthony Hayward

1 ("Hayward"), the CEO of BP for violations of the Securities Exchange Act of 1934 (the "1934
2 Act").

3 2. Prior to and during the class period, BP boasted of its "fundamental belief that it
4 could make a difference in the world by striving to produce energy that is affordable, secure and
5 doesn't damage the environment."

6 3. BP's focus on safety and cleanliness or as a green crude oil company as
7 supposedly embodied in its green flower symbol, and its name change from British Petroleum to
8 Beyond Petroleum, arose after the company encountered a number of serious and flagrant safety
9 violations and disasters. In 2005, a BP refinery near Galveston, Texas exploded, killing 15
10 injuring 170. Also in 2005, BP's Thunder Horse deepwater rig in the Gulf of Mexico nearly
11 capsized from a plumbing error, ultimately fixed by BP at a cost of about \$250 million. In 2006,
12 BP's failure to do routine maintenance with a device called a "hedgehog" resulted in the spill of
13 crude oil in Alaska, and later in 2006, more than 20% of its wells in Alaska were closed due to
14 leakage. On November 29, 2007, BP Exploration (Alaska) Inc. (BPXA) entered into a criminal
15 plea agreement with the United States Department of Justice ("DOJ") relating to leaks of crude
16 oil in March and August 2006. BPXA's guilty plea, to a misdemeanor violation of the U.S.
17 Federal Pollution Control Act, included a term of three years' probation. BPXA is eligible to
18 petition the court for termination of the probation term if its meets certain benchmarks relating to
19 replacement of the transit lines, upgrades to its leak detection system and improvements to its
20 integrity management program. On March 31, 2009, the DOJ filed a complaint against BPXA
21 seeking civil penalties and injunctive relief relating to the 2006 crude oil releases. The complaint
22 alleges BPXA violated various federal environmental and pipeline safety statutes and associated
23 regulations in connection with two releases and its maintenance and operation of its North Slope
24
25
26
27
28

1 pipelines. The State of Alaska also filed a complaint on or about March 31, 2009 against BPXA
2 seeking civil penalties and damages relating to these events. The complaint alleges that the two
3 releases and BPXA's corrosion management practices violated statutory, contractual and
4 common law duties owed to the State of Alaska, resulting in penalty liability, damages for lost
5 royalties and taxes, and liability for punitive damages. On or about October 30, 2009, the
6 Occupational Safety and Health Administration asserted BP failed to correct hundreds of issues
7 in the aftermath of the 2005 Texas City refinery explosion which killed 15 people. Though
8 through its public statements, BP was touting its commitment to the safety of its operations, in
9 reality, BP was continuing its corporate policy of cutting costs without regard for the unsafe and
10 or the dangerous conditions of its operations.

13 4. On or about April 20, 2010 at or around 10 p.m. central standard time, a fire was
14 reported on a semisubmersible drilling rig, Deepwater Horizon, in the United States Gulf of
15 Mexico. The leased rig was being used to drill an exploration well on a BP deepwater lease.
16 Approximately 125 crew members escaped the rig and over 10 workers died before the entire rig
17 sunk to the gulf floor. Initially, BP reported there was no leakage of crude oil from the rig.
18 However, BP later reported it thought there was only limited leakage. Later, BP reported a
19 safety valve had failed on the rig and that crude oil was escaping from several different locations
20 from the well at the rate of 5,000 barrels, or 210,000 gallons, a day. Most recently, it was
21 reported crude oil was escaping at the rate of as much as 500,000 gallons daily. It is currently
22 anticipated this disaster will end up being larger the Exxon Valdez crude oil spill in Alaska,
23 which had held the record for the worse disaster in United States history.

26 5. In the days following the disaster, it became clear a long term solution of drilling a
27 relief well to tap into the leaking well and taking the pressure off the blown out well could take

1 at least three months. BP utilized assorted tactics in its effort to stop the release of crude oil into
2 the gulf, including: Use of chemical dispersants, skimming the crude oil off the surface, burning
3 the crude oil, containing the crude oil with floating booms and using robots to activate the blow-
4 out preventer; Placing a large funnel made out of steel and cement on top of the gushing well
5 5,000 feet below the surface and; BP is also attempting a process known as “top kill” where
6 mud and concrete would be shot directly into the top of the leaking blowout preventer. Each of
7 these solutions presents its own new problems.
8

9 6. The price of BP common stock has steadily declined as information on the true extent
10 of the leakage and damage has been disclosed. BP's common stock has decreased by more than
11 20%, a total loss of market cap of \$36 billion, following the disaster as experts' estimates of
12 damages reach upwards of \$20 billion.
13

14 JURISDICTION AND VENUE

15 7. Jurisdiction is conferred by 27 of the 1934 Act. The claims asserted herein arise under
16 10(b) and 20(a) of the 1934 Act and Rule 10b-5.
17

18 8. Venue is proper in this District pursuant to 27 of the 1934 Act. Many of the false and
19 misleading statements were made in, issued from or disseminated into this District.
20

21 9. BP is a British corporation whose headquarters are located in England. Recently in
22 2009, its Board of Directors met in Long Beach, California, in this District, and used this
23 opportunity to visit BP's business in this District.
24

PARTIES

25 10. Plaintiff Taylor Safe at all relevant times resided in the State of California, County of
26 Santa Clara. Plaintiff purchased BP common stock and was damaged thereby.
27

1 11. Defendant British Petroleum is an crude oil petrochemical company. BP explores for
2 and produces crude oil and natural gas, refines, markets and supplies petroleum products,
3 generates solar energy and manufactures and markets chemicals. BP operates in more than 80
4 counties. Over 40% of BP's fixed assets are located in the U.S. BP is the largest producer of
5 crude oil and gas in North America. It owns and or has a share in five refineries and markets
6 under Amoco, ARVO, BP and Castrol brands, being one of the largest gasoline retailers in the
7 U.S. BP's Board of Directors holds one of its meeting at tBP's offices in Washington, D.C., and
8 meets at other locations when appropriate. BP's common stock is traded on the New York Stock
9 Exchange under the ticker symbol "BP." As of December 31, 2009, there were approximately
10 18.8 billion shares of common stock issued and outstanding. The company maintains and
11 regularly publicizes its website at www.bp.com, where it publishes information material to
12 potential investors.

15 12. Defendant Tony Hayward is BP's CEO and a member of its board of directors.
16 Hayward has been BP's CEO since May 2007 and Hayward has worked for BP or its
17 subsidiaries since 1982. He held a series of roles in exploration and production in 1997. In
18 2000, he was made group treasurer and an executive vice president in 2002. He was chief
19 executive officer of exploration and production between 2002 and 2007. He became an
20 executive director of BP in 2003. Hayward participated in the making and issuance of the false
21 and misleading statements alleged herein, including the preparation of false and misleading press
22 released and SEC filings. Because of his positions with BP, Hayward possessed the power and
23 authority to control the contents of BP's quarterly reports, press releases and presentation to
24 securities analysts, money and portfolio managers and institutional investors, i.e., the Market.
25 Hayward was provided with copies of BP's reports and press releases alleged herein to be
26
27
28

1 misleading prior to or shortly after their issuance and had the ability and opportunity to prevent
2 their issuance and or cause them to be corrected. Because of his position and access to material
3 non-public information available to him, he knew that the adverse facts specified herein had not
4 been disclosed to and were being concealed from the public and that he positive representations
5 which were being made were then materially false and misleading. Hayward is liable for the
6 false statements pleaded herein.

7
8 13. As alleged herein, Hayward acted with scienter in that he knew, and or acted with
9 recklessly disregarded, that the public documents and statements issued or disseminated in the
10 name of BP were materially false and misleading and or failed to state facts necessary to prevent
11 them from being materially false and or misleading under the circumstances. Hayward knew that
12 such statements and or documents would be issued or disseminated to the investing public, and
13 knowingly and substantially participated or acquiesced in the making, issuance or dissemination
14 of such statements or documents as a primary violation of the federal securities laws. By virtue
15 of his receipt or reckless disregard of information reflecting the true facts regarding BP, his
16 control over and/or receipt and/or modification of BP's materially misleading statements, and/or
17 his other associations with BP, Hayward was privy to confidential information concerning BP
18 and knowingly or recklessly participated in the fraudulent scheme and conduct alleged herein.

1 CLASS ACTION ALLEGATIONS
2

3 14. Plaintiff bring this action as a class action pursuant to Rule 23 of the Federal Rule of
4 Civil Procedure on behalf of all persons who purchased or otherwise acquired BP ADRs during
5 the class period (the “Class”). Excluded from the Class and Defendants and their families, the
6 officers and directors of BP, at all relevant times, members of their immediate families and their
7 legal representatives, heirs, successors or assigns and any entity in which Defendants have or had
8 a controlling interest.

9 15. The class members are so numerous that joinder of all members is impracticable. The
10 dispositions of their claims in a class action will provide substantial benefits to the parties and
11 the Court. BP has mover than 18.8 billion shares of ADRs outstanding, owned by tens or
12 hundreds of thousands of persons.

13 16. There is a well-defined community of interest in the questions of law and fact
14 involved in this case. Questions of law and fact common to the class members which
15 predominate over questions which may affect individual class members include:

16 a. Whether the 1934 Act was violated by Defendants;
17 b. Whether Defendants omitted and/or misrepresented material facts;
18 c. Whether Defendants’ statements omitted material facts necessary to make the
19 statements made, in light of the circumstances under which they were made,
20 not misleading;
21 d. Whether Defendants knew or deliberately disregarded that their statements
22 were false and misleading.
23 e. Whether the prices of BP’s ADRs artificially inflated; and

1 f. The extent of damage sustained by class members and the appropriate
2 measure of damages
3

4 17. Plaintiff's claims are typical of those of the Class because Plaintiff and the Class
5 sustained damages from Defendants' wrongful conduct
6

7 18. Plaintiff will adequately protect the interests of the class and have retained counsel
8 who are experienced in class action securities litigation. Plaintiff have no interests which conflict
9 with those of the Class.
10

FRAUDULENT SCHEME AND COURSE OF BUSINESS

11 19. Defendants are liable for: (i) making false statements; or (ii) failing to disclose
12 adverse facts known or reasonably available to them about BP or which there were under a duty
13 to disclose. Defendants' fraudulent scheme and course of business operated as a fraud or deceit
14 on purchasers of BP ADRs by: (i) deceiving the investing public regarding the safety of BP's
15 operations, its prospects and its business; (ii) artificially inflating the prices of BP ADRs; (iii)
16 including Plaintiff and other class members to purchase BP ADRs at inflated prices; and (iv)
17 causing Plaintiff and other class members to suffer damages when the conditions concealed by
18 the Defendants' fraudulent scheme were revealed to the market, causing the prices of BP ADRs
19 to decline.
20

MATERIALLY FALSE AND MISLEADING STATEMENTS AND OMISSIONS AND FRAUDULENT SCHEME AND COURSE OF BUSINESS BY DEFENDANTS DURING THE CLASS PERIOD

21 20. On April 16, 2009, in welcoming shareholders to the 100th Annual General Meeting
22 of BP, Defendant Hayward reflected on the challenging history BP has faced and emphasized
23 that:
24

25 Whilst today's challenges are very real, we have overcome far worse situations.
26 BP has been, and remains, an organization operating at the frontiers of the
27

energy industry. Our technology and capability allow us to take on challenges that others cannot—or choose not to—to confront, securing access to new resources now as in the past—from Iran 100 years ago to the Canadian arctic today... A year ago, I addressed you for the first time as the CEO of BP. At the time, we faced a real competitive challenge and we needed to up our game. We set out a plan to deliver *safe and reliable operation*, to restore revenues and to reduce the complexity and cost structure of BP... We've done exactly that. Today, I believe that we are well positioned to face the current economic environment and to turn it into an opportunity that, going forward, will set us apart from our competition.

* * *

2008 was a record year for BP. Replacement cost profit reached \$25.6 billion—up 39% on 2007. Net cash from operating activities was \$38 billion up over 50% on the previous year. Dividends paid per share rose by 30%, to 55 cents/share, versus 2007.

With our operations restored, we benefited from record high crude oil prices that more than compensated for the fall in the global average refining margin to \$6.50 per barrel, down from almost \$10 per barrel in 2007. Based on the past year's result, I am glad to say that BP has restored its competitive performance—and that is no mean achievement when you think about the year that has just passed.

Over the last two years, our focus has been on realizing the full potential of our asset base.

Our number one priority of safe and reliable operations has been vital to the underpinning of our restored competitive performance.

The number of major incidents involving process safety has continues to decrease and our personal accident and injury track record continues to improve. The tragic helicopter accident in the North Sea is a graphic reminder of the inherent risks in the business—a **persistent focus on safe and reliable operations will remain our first priority**.

21. Defendants Hayward also emphasized BP's focus on its costs:

At BP, we started our drive to counter cost inflation some 18 months ago and managed to halt that inflationary trend in 2008 despite the continuing rise in crude oil prices for most of the year.

The challenge for the industry now is to bring the cost base down—and to do this fast, to align with the new market conditions.

We've been working with our suppliers to improve efficiency by finding better ways to execute activity-with one important caveat-safe and reliable operations come first whatever cost efficiency measures we undertake. And we continue to advance the

safety and reliability of our operations through implanting our operating management system something that is fundamental to creating a culture of continuous improvement within BP.

Our aim in 2009 is to begin to roll back the inflationary trend by driving deflation into our business.

* * *

So, in this volatile environment, we've kept a steady focus on what we said we would do.

Our goal is clear; to continue to invest for long term growth while retaining our focus on safe and reliable operations, paying the dividend and driving deflations into our cost base.

At BP we have a mantra—"every dollar counts, every seat counts" and we intend to follow it through. WE have strong momentum on cost and operation—production is expected to continue to grow and refining availability is expected to be materially higher in 2009 than in 2008—these underlying business improvements are expected to add to our cash flows in 2009.....

23. On April 28, 2009, Bo announced its financial results for the first quarter of 2009, a replacement cost profit of \$4,320 million, a decrease of 57% compared with the first quarter of 2008. BP held an earnings conference call with analysts on the same day, at which Byron Grote and Fergus MacLeod represented BP. In response to a question on production volumes in the Gulf of Mexico and whether or nor the field might be underperforming BP's prior expectations, MacLeod stated, "The US Gulf of Mexico is performing extremely well. It is exceeding our expectations and the very strong performance of Thunder Horse on ramp up is a key element of that. It's probably not appropriate to talk about operations on a field-by-field basis at this point in the year. We have had some scheduled maintenance on some fields in the recent weeks, but I think I'll leave it as saying that overall he performance of the Gulf of Mexico portfolio is continuing to exceed our expectations and that's true as we move into April."

24. In April 2009, BP published its BP magazine which included an article entitled "An interview with BP's CEO Tony Hayward." In response to a question, "Has there been a

1 development during your time at BP the you never thought you'd witness when you set out as a
 2 young geologist?," Defendant Hayward responded, " I think the most obvious one is the deep
 3 water. When I stared, deep water was a few hundred meters. The fact that we are today
 4 producing crude oil and gas in up to 2,000 meters of water exploring in 3,000 meters of water
 5 and that technology is as advanced as anything that goes into space—in terms of the pressures
 6 and temperatures—is astonishing." In response to a question on corporate responsibility,
 7 Defendant Hayward noted, "It is about the safety and development of our people and the
 8 communities and societies in which we operates, as well as being environmentally responsible."

11 25. On or about July 17, 2009, BP announced the drilling of a successful appraisal
 12 well in the Gulf of Mexico, in the southern segment of the Mad Dog field. Defendants boasted
 13 of this new success:

14 The 826-5 well is located on Gulf of Mexico Green Canyon block 826
 15 approximately 100 miles (160) kilometers) south of Grand Isle, L.A., in about
 16 5,100 feet (1.554 meters) of water. The well encountered about 280 net feet (85
 17 meters) of hydrocarbons in the objective Miocene hydrocarbon-bearing sands and
 discovered an crude oil column of more than 2,200 feet (670 meters).

18 The results from this well continue the successful phased development of the Mad
 19 Dog field and build upon the success from 2008 where the A-7 well in the
 20 western part of the field encountered a hydrocarbon column of more than 2,500-
 feet (762 meters), and 275 feet of net pay (84 meters).

21 "With these additional hydrocarbon resources in the west and south of the field,
 22 Mad Dog has been firmly established as the third giant field in BP's Gulf of
 23 Mexico portfolio, joining Thunder Horse and Atlantis," said Andy Inglis, BP's
 24 chief executive officer for exploration and production. "Due to the materiality of
 25 these recent finds, we are reviewing development options to increase production
 from Mad Dog either through debottlenecking the existing facility or by adding
 another production facility."

26 BP (NYSE:BE) maintains a 60.5 percent working interest in Mad Dog. BHP
 27 Billiton (NYSE:BHP/BBL) has a 23.9 percent interest, Chevron (NYSE:CVX)
 has a 15.6 percent interest.

28 Editor's notes:

1 -The Mad Dog Field started production in 2005 and utilizes a truss spar platform,
2 equipped with facilities for simultaneous production and drilling operations. The
3 facility is designed to process 80,000 barrels/day of crude oil and 60,000 mscfd of
gas.

4 -Crude oil and gas is transported to existing shelf and onshore interconnections
5 via the Mardi Gras Transportation System.

6 -BP is the largest producer of crude oil and gas in the Gulf of Mexico with net
7 production of over 400 mboed. BP is progressing nine Gulf of Mexico projects:
8 Atlantis Phase 2, Tubular Bells, Kodiak, Freedom, Kaskida, Isabela, Santa Cruz,
Mad Dog tiebacks and Great White.

9 -Major BP developments in the deepwater Gulf of Mexico include: Pompano,
10 1994; Marlin, 2000; Horn Mountain, 2002; Na Kika, 2003; Holstein, 2004; Mad
Dog 2005, Atlantis, 2007, Thunder Horse 2008.

11 26. On July 28, 2009, Defendants issue a release entitles, "BP Output Rises as CEO

12 Hayward Sees Costs Falling \$1 billion More Than Expected by Year-End. In this release,

13 Defendants stated,

14 Compared to the same period last year, BP's reported daily production jumped 4
15 per cent to more than 4 million barrels of crude oil equivalent in the three months
16 to end-June. Also, the \$2 billion reduction in cash targeted for 2009 as a whole
17 has already been exceeded and a further \$1 billion saving is expected over the
18 remainder of the year, the company said today.

19 Announcing second quarter replacement cost profits of \$3,140 million—up over 30 per
20 cent on the first quarter, chief executive Tony Hayward said BP was delivering good
21 performance in a very tough environment.

22 "We are in turbulent times, volatile and uncertain. But we continue to steer a steady
23 course through choppy waters. Two years ago we set out to restore our ability to
24 compete more effectively with our rivals in the sector.

25 "The momentum we established in the process remains very powerful. Despite the
26 current climate, we are making good progress in growing our stream, turning around our
27 downstream and driving cost-efficiency

28 Hayward said progress was underpinned by a simplified organization, deepening
expertise at the operational level and unrelenting focus on operational safety and
integrity. Cash costs had been reduced by more than \$2 billion in the first half of the year,
versus the same period last year.

1 "We have already surpassed the target we set ourselves at the beginning of this year or
 2 cash costs but we are by no means complacent. We will continue to push efficiencies into
 3 the group and make sure every dollar counts. Based on this strong progress, we can
 4 expect cash costs for the full year to be down by more than \$3 billion compared with
 5 2008." Highlights for the quarter were:

- 6 -Replacement cost profit of \$3, 140 million, up 32 per cent from \$2,387 million in
 7 the first quarter but down 53 per cent on the same period last year.
- 8 -Reported daily crude oil and gas production of 4.005 million barrels of crude oil
 9 equivalent, 4 per cent higher than the second quarter of 2008
- 10 -Capital spending for the quarter of \$4.8 billion and \$9.4 billion for the half year
- 11 -Net cash from operations of 6.8 billion versus \$6.7 billion a year ago
- 12 -Net debt of \$27.1 billion and gearing at 22 per cent
- 13 - An effective tax rate of 35 per cent, unchanged from last year.

14 BP's dividend for the quarter was 14 cents a share, the same as for the corresponding
 15 period in 2008. In sterling terms this represents a rise of 21 per cent year-on-year, a
 16 reflection of the stronger dollar.

17 Hayward said the latest economic data suggested the global economy could stabilize this
 18 summer but that any recovery, whenever it comes, would likely be sluggish: "The overall
 19 picture is of energy demand now stabilizing following significant falls in the first half of
 20 the year. We see little evidence of any growth in demand and expect the recovery to be
 21 long and drawn out."

22 He said expected organic capital investment for 2009 of under 20 billion remained in line
 23 with previous predictions. Disposal proceeds for the first six months totaled \$1 billion
 24 and were envisaged at \$2-3 billion for the year as a whole.

25 He added that year on year production growth was expected to continue in the second
 26 half, though normal seasonal maintenance turnarounds would impact the third quarter. In
 27 the Downstream, with Texas City restored to full capability, overall refining availability
 28 rose 5.3 percentage points versus the same period last year, to 93.6 per cent, its highest
 29 level since the first quarter of 2005. For the half year, refining and marketing costs were
 30 down 15 per cent compared with the same period in 2008.

31 In remarks scheduled for financial analysts later today, Hayward said the strategy of the
 32 past two years remains firmly on track. "In the Upstream we said we would deliver
 33 profitable growth, and we are doing so. Costs are coming down, capital efficiency is
 34 rising and we expect output to grow again this year.

1 "In the Downstream we said we would turn around the business and we are doing so. In
 2 Alternative Energy we said we would refocus and simplify the business and that is what
 3 we are doing. And we are not letting up on driving efficiency across the group."

4 "Our View remains that the right current balance is to continue to pay the dividend and
 5 maintain investment to grow the company. We will continue to use the capacity of our
 6 balance sheet while the industry cost structure adjusts."

7 27. On September 2, 2009, BP announced a "giant" crude oil discovery at the Tiber
 8 Prospect in the U.S. Gulf of Mexico, in the Lower Tertiary reservoirs, that may contain more
 9 than 3 billion barrels. The well was one of the deepest ever drilled, to approximately 35,055
 10 feet, greater than the height of Mount Everest. BP had a 62% ownership interest in this well.
 11 The well was drilled by the Deepwater Horizon crude oil rig, designed by Transocean Ltd.
 12 ("Transocean"). As stated by Transocean Ltd's CEO Robert Long, "This impressive well depth
 13 record reflects the intensive planning and focus on effective operations by BP and drilling crews
 14 of the Deepwater Horizon." According to Andy Inglis, chief executive of BP exploration and
 15 discovery, "Tiber represents BP's second material discovery in the emerging Lower Tertiary
 16 play in the Gulf of Mexico, following our earlier Kaskida discovery."

17 28. The market responded very positively to BP's announcement. Crude oil analyst,
 18 Bob MacKnight, at PFC Energy, told Business Week, that deep waters of the Gulf of Mexico are
 19 "one of the few bright spots in global crude oil production." As noted by crude oil and gas
 20 analyst Irene Himona of Exane BNP Paribas, "What today's announcement proves is that BP is a
 21 very, very successful explored." Similarly Jonathan Rigby, an analyst at UBS noted, "It will
 22 take a while to develop, the second half of the next decade, but its very important." Jason
 23 Kennedy, noted, "The announcement of Tiber confirms the very positive prospectively of the
 24 Lower Tertiary geological play in the locale." Previously, just two decades ago the Gulf of
 25 Mexico was called the "Dead Sea: by an industry that had already offered up all its big
 26
 27
 28

1 discoveries. But with new technologies, the Gulf of Mexico has emerged as a major area of
2 interest. The new technology is extraordinarily expensive. The cost of drilling each well is
3 approximately \$200 million.
4

5 29. Subsequently, on September 29, 2009, BP disclosed that it agreed to extend its
6 lease with Transocean for the Deepwater Horizon rig and pay an additional \$3.4 million a year in
7 rent, resulting in BP paying \$544 million over the three year period beginning in September
8 2010.
9

10 30. On November 16, 2009, BP announced the discovery of more crude oil in the
11 Lower Tertiary deep-water reserves. In commenting on this discovery, BP spokesperson Andy
12 Inglis stated, "This well builds on the success of our recent Tiber discovery to further strengthen
13 BP's leading position in the emerging Lower Tertiary play ... It supports the continuing growth
14 of our deep-water Gulf of Mexico business into the second half of the next decade."
15

16 31. On February 2, 2010, BO released its earnings for the fourth quarter and full year
17 2009. BP reported a sharp year on year increase in fourth quarter profits as it announced that its
18 crude oil and gas production reflected the ramp-up and start-up of major new projects, including
19 the first full year of production from the Thunder Horse field in the Gulf Of Mexico. As noted
20 by Defendant Hayward, "Our operational performance in the fourth quarter and through 2009
21 was very strong."
22

23 32. During a earnings conference call held on February 2, 2010, Defendant Hayward
24 directed his introductory remarks to a few highlights, one of which was that "in exploration and
25 production, we increased production by more than 4% in 2009 well ahead of our expected
26 sustainable long-term growth rate of 1-2%."
27
28

33. On March 2, 2010, BP help its Strategy Presentation in which it outlined its plans to improve financial performance while growing production through 2020.

Previewing BP's annual strategy presentation to the financial community, Group Chief Executive Tony Hayward said the company had established strong momentum in its core business and had made great progress in reducing costs and improving absolute and relative financial performance in the past two years.

But there was a lot more still to do, he added, announcing he start of what he called “a new phase to realize the potential of the portfolio built over the past decade.”

“The challenge and the opportunity for us is that while our portfolio ranks amongst the best in the industry, our financial performance has yet fully reflect this,” said Hayward. “There is now a real opportunity to make this portfolio work harder for us and we intend to do just that.”

Hayward said there were more opportunities to improve operating and cost efficiency right across the company, from refineries and marketing operations in the downstream to procurement, drilling and project management in the upstream.

* * *

In Exploration and Production, a significant organizational restructuring is underway to centralize project management, improve cost efficiency and inject greater consistency into operation. In particular a Centralized Developments Organization is being established to manage all major projects in the portfolio. These Developments are expected to enhance capital efficiency and improve returns in the coming years.

“Whichever way you look at it, there are significant opportunities for improvement and in every case firm plans are in place to close these gaps,” said Hayward. “Our direction is clear: the unrelenting pursuit of competitive leadership in respect of cash costs, capital efficiency and margin quality. We believe we have made a good start—but it’s only a start.”

On the upstream, Hayward said BP's medium-term growth focused on three areas of deep expertise: deep-water production, global gas including unconventional gas, and managing some of the world's giant crude oilfields. In each area, BP had made significant advances in 2009.

He pointed to BP's successful track record of 17 years with a reported reserves replacement ratio of 100 per cent or greater, and to its success in adding to its reserve and resource base over the past two years—with 7.5 billion barrels of crude oil equivalent (boe) of new resources added, sufficient to replace five years of production. He also cited its five-year record of industry-leading discovery costs. BP's finding and development costs in 2009 were \$12 per boe, the lowest in five years.

1 These factors underpinned the company's projection of 1-2 per cent average annual
 2 output increases, from a 2008 base at \$60 per barrel, until 2015 and increased
 3 confidence in the potential to continue production growth through the end of the
 decade.

4 BP produced 4 million barrels per day in 2009, an increase of 4 per cent on 2008. In
 5 the next two years 24 new major projects will reach final investment decision. BP
 6 intends to start up a total of 42 new major projects between 2010 and 2015, expected
 7 to contribute about 1.0 million to total production by 2015, more than offsetting the
 decline from currently producing fields.

8 In addition to setting out BP's downstream and upstream plans, Hayward reaffirmed
 9 the company's commitment to investing in growing a focused portfolio of low-carbon
 10 business, comprising US onshore wind power, biofuels, solar power and carbon
 capture and sequestration, BY invested \$1.4 billion in this portfolio in 2009 and a
 cumulative total of more than \$4 billion since 2006.

11 34. During the strategy presentation, Defendant Hayward began his remarks by
 12 stating,

14 Our focus on safe and reliable operation is now strongly embedded in our
 15 business; we are continuing to build the core capabilities of our people and we
 16 have started to see the benefits of improved performance flowing through to the
 bottom line. Safety remains our number one priority and we can see clear
 17 progress. There has been a significant reduction in the frequency of recordable
 18 injuries and the number of major incidents related to integrity failures has fallen.
 At the same time, we're reducing containment losses in our operations. We are
 19 continuing to improve our skills and capabilities as we roll out a common
 20 Operating Management System across our business. By the end of 2009 we had
 21 achieved full implementation at 70 sites, covering around 80% of our
 22 operations—the remainder will be completed in 200. But implementation is just
 the beginning. Our Operating Management System provides the basis to now
 23 drive continuous improvement across all of our operations. In summary, we are
 24 strengthening the safety culture throughout our business, and building a track
 record that we intend to become industry leading.

25 35. BP spokesperson Andy Inglis also spoke at the Strategy Presentation concerning
 26 BP's Exploration and Production business segment, emphasizing that "2009 was another very
 27 good year for E&P, with continued strong strategic and operational momentum." He further
 28 explained the portfolio was strengthened, by adding to the exploration inventory; deepening in
 the Gulf of Mexico, Egypt and Indonesia. He noted, "equally important, we have added

1 exploration resources efficiently—our discovery cost was a dollar forty per barrel in 2009. This
 2 is consistent with our track record over the last 5 years of having the lowest discovery cost in the
 3 industry.” In discussing BP’s sources of growth, the first was Deepwater where BP has four key
 4 positions in the Gulf of Mexico, Angola, Egypt and Libya, noting the recent “giant crude oil
 5 discovery—Tiber, drilled to over 35, thousand feet, the deepest crude oil and gas discovery will
 6 drilled.”

8 36. On or about March 5, 2010 BP filed its Form 20-F with the Securities &
 9 Exchange Commission. In the discussion of its strategy, BP again emphasized its commitment
 10 to safety:

12 **Safety, reliability, compliance and continuous improvement**

13 Safe, reliable and compliant operations remain the group’s first priority. A key enabler
 14 for this is the BP operating management system (OMS), which provides a common
 15 framework for all BP operations, designed to achieve consistency and continuous
 16 improvement in safety and efficiency. OMS includes mandatory practices, such as
 17 integrity management and incident investigation, which are designed to address particular
 18 risks. In addition, it enables each site to focus on the most important risks in its own
 19 operations and sets out procedures on how to manage them in accordance with the group-
 20 wide framework.

22 In discussing performance, BP stated:

24 Good progress has been made on underpinning improved safety performance in 2009.
 25 Throughout the year, we continued to focus on training and enhancing procedures across
 26 the organization. Significantly, 2009 was an important year in the development of OMS.
 27 By the end of 2009, around 80% of our operating sites were using the system including
 28 all our operated refineries and petrochemicals plants.

(see safety on page 43 for more information on OMS.)

22 In 2009, a third party operated helicopter carrying contractors from BP’s Miller platform
 23 crashed in the North Sea, resulting in the tragic loss of 16 lives. In addition, BP sustained
 24 two fatalities within our own operations. We deeply regret the loss of these lives.

26 Recordable injury frequency (RIF, a measure of the number of reported injuries per
 27 200,000 hours worked) was 0.34 significantly below 2008 and 2007 levels of 0.43 and
 28 0.48, respectively. Reported crude oil spills greater than one barrel were 234 in 2009
 29 compared with 335 in 2008 and 340 in 2007. Our environmental measure that tracks
 30 greenhouse gas (GHG) emissions increased in 2009 to 65.0 million tonnes in 2008. The

1 primary reason for this increase is the growth of our business, including the significant
2 increase in our US refining throughputs, the start-up of our Tangguh LNG in Indonesia
3 and the continued success of our Gulf of Mexico deepwater operations, including
Thunder Horse.

4 In discussing the performance of the Exploration & Production segment, the 20-F stated:

5 In Exploration & Production, safety, both personal and process, remains our highest
6 priority. 2009 brought further improvements in personal safety with our reported
7 recordable injury frequency improving from 0.43 in 2008 to 0.39 in 2009. We also
8 achieved improvements in the number of reported process safety-related incidents and a
significant reduction in the number of reported spills.

9 BP's operating management system (OMS) provides us with a systematic framework for
10 safe, reliable and efficient operations. Throughout 2009, OMS helped us to deliver
continuous improvement in the way we manage our people, processes, plant and
11 performance.

12 From onshore production facilities to offshore platforms, a total of 47 exploration and
13 production sites had completed their transition to OMS by the end of 2009. The
remaining seven sites are on track to transition to OMs in 2010.

14 In a section focusing on Corporate Responsibility, the 20-F stated:

15 Safety, people and performance are BP's top priorities. We constantly seek to improve
16 our safety performance through the procedures, processes ad training programs that we
17 implement in pursuit of our goal of 'no accidents, no harm to people and no damage to
the environment'.

19 37. The statements Defendants made touting BP's safety focus, as alleged herein in
20 paragraphs 20 through 35, were false and misleading and failed to disclose that in light of their
21 obsessive focus on cost cutting and the known risks associated with this new deep water drilling
22 technology, Defendants were: (a) ill equipped to deal with a catastrophe; (b) had not taken the
23 necessary precautions to prevent such a disaster from occurring, such as the installation of a
24 backup blowout prevention valve on the sea floor; (c) had not prepared an exploration plan
25 which adequately analyzed the project's crude oil spill risks; and (d)had not undertaken a risk
26 assessment to determine whether, if such a catastrophe occurred, BP would be operationally able
27 to respond. The statements Defendants made touting BP's safety focus, as alleged herein in
28 paragraphs 20 through 35, were false and misleading and failed to disclose that in light of their
obsessive focus on cost cutting and the known risks associated with this new deep water drilling
technology, Defendants were: (a) ill equipped to deal with a catastrophe; (b) had not taken the
necessary precautions to prevent such a disaster from occurring, such as the installation of a
backup blowout prevention valve on the sea floor; (c) had not prepared an exploration plan
which adequately analyzed the project's crude oil spill risks; and (d)had not undertaken a risk
assessment to determine whether, if such a catastrophe occurred, BP would be operationally able

1 to contend with an crude oil spill or financially able to be responsible for all the costs without
2 any insurance coverage.

3

4 **THE CONCEALED CONDITIONS ARE
GRADUALLY REVEALED, CAUSING DAMAGES TO
PLAINTIFF AND CLASS MEMBERS**

5

6 38. The market for BP's securities was open, well-developed and efficient at all
7 relevant times. Plaintiff and other class members purchased and or otherwise acquired BP's
8 ADRs in reliance upon the integrity of the market prices of BP ADRs and market information
9 relating to BP. Because of their purchases of BP ADRs during the class period, Plaintiff and
10 other class members suffered economic loss, i.e. damages under the federal securities laws.
11

12 39. During the class period, as detailed herein, Defendants engaged in a scheme to
13 deceive the market by engaging in a course of conduct that artificially inflated the price of BP's
14 ADRs and operated as a fraud or deceit on class period purchasers of BP ADRs by
15 misrepresenting BP's business practices and the safety of its operations, the amount and source
16 of its revenues, its compliance with legal and regulatory requirements, the risks to its present and
17 future operations, and BP's past performance and prospects for future success.
18

19 40. The false and misleading statements and omissions described above, including the
20 concealed safety violations and related risks to BP's operations, caused BP's ADRs to trade at
21 artificially inflated process during the class period. The unprecedeted and avoidable crude oil
22 spill as a result of the tragic fire at the rig on April 20, 2010, shockingly and suddenly revealed
23 the previously concealed safety risks to investors, causing the price of BP ADRs to decline \$8
24 gradually over the subsequent two weeks, a drop that reduced the value of BP's ADRs by more
25 than 17%. The intense focus on BP's operations by government regulators ad the worldwide
26 media in the days following the rig fire further revealed the extent and seriousness of the safety
27
28

1 and regulatory violations affecting BP's operations, BP's lack of a planned solutions for such
2 major accidents, and the lack of insurance to cover such a catastrophe causing additional losses
3 in market value that injured investors as the market learned that BP's repeated boasts about its
4 safety programs were false, and that the adverse financial impact of its operations was much
5 greater than BP had previously revealed.

7 41. On or about April 2, 2010 the first trading day following the accident, the price of
8 BP common closed at \$59.10. Limited information was available to the marketplace other than
9 the fact that the rig was on fire in the Gulf of Mexico, that approximately 125 workers were
10 trying to get off the rig and that approximately 10 workers were still missing. On or about April
11 22, 2010, the burning rig sunk into the Gulf of Mexico and the extent of damage was still
12 unknown. On or about April 23, 2010 the Coast Guard reported that no crude oil was leaking
13 from the undersea well. However, on or about April 24, 2010, two crude oil leaks were
14 discovered in the 5,000 foot riser—a conduit of pipe that connects the wellhead—to the sunken
15 rig, with the preliminary estimate of the leakage now at 1,000 barrels, or 42,000 gallons of crude
16 oil per day, as stated by Ron Rybacyzck, a spokesman for BP production & Exploration. At the
17 time, BP said that the optimal approach was to get the blow-out preventer—an iron hydraulic
18 device near the well on the ocean floor-fully engaged in sealing off the crude oil source.
19 Because of this disclosure, BP's ADRs decreased from a close of \$58.90 on April 23, 2010 to a
20 close of \$56.96 on April 26, 2010.

24 42. But the full truth had still not been disclosed, and on April 28, 2010, the Coast
25 Guard said the flow of crude oil was 5,000 barrels of crude oil, or 210,000 gallons per day,
26 controlled burns began but the shifting winds put a halt to this method and pushed the crude oil
27 closer to the shore. On April 29, 2010, BP disclosed it had detected an additional leak on the

1 riser closer to the well. Because to these disclosures, BP's stock price dropped further from a
2 close \$56.40 on April 18, 2010 to a close on April 29, 2010 of \$51.70.

3 43. Information has continued and will continue to be revealed as the true extent of
5 the crude oil spill and BP's failure to take necessary safety precautions, including have the
6 necessary systems in place in anticipation of such a catastrophe, as well as the quantifications of
7 the damages which BP will be responsible for since it has no insurance coverage becomes
8 known. Thus, for example on or about May 3, 2010, BP began construction of three
9 containment chambers which were to be placed over the main leak site to channel the spill until
10 the leak could be stopped within the relief wells. However, this method subsequently failed. On
11 May 4, 2010, BP says it had started drilling a relief well to intercept and isolate the leaking well,
12 but said it could take three months to complete. Recently, BP acknowledged that more was
13 spewing into the Gulf of Mexico that was previously reported. On or about May 21, 2010, BP
14 launched a live video of the well rupture and a Purdue University engineering professor told the
15 House panel that he thought the spill was releasing 100,000 barrels daily into the Gulf. Because
16 of this disclosure, the price of BP stock dropped from a close on May 21 at \$43.86 to a close on
17 May 24, R \$41.86.

18 44. Numerous media outlets have now highlighted the repeated safety failures and
19 possible causes for this catastrophe, including a whistleblower allegation who said that BP had
20 been operating its Gulf Coast drilling platform Atlantis without a majority of the necessary
21 engineering and design documents in violation of federal law. These are the same allegations of
22 violations committed by BP that the labor Department's Occupations Safety and Health
23 Administration ("OSHA") found existed at BP's Husky refinery in Toledo, Ohio.
24
25
26
27
28

1 45. It has been reported that several days before the explosion, partly for financial
2 reasons, BP officials chose to use a type of casing for the crude oil well that was riskier of two
3 options. Moreover, as has been disclosed through a series of hearing by the Coast Guard, The
4 Minerals Management Service the House of Representatives Subcommittee on Oversight an
5 Investigations, Committee on Energy and Commerce and various interview given on Sixty
6 Minutes, CNN, and other news outlets, the twenty four hours before the blast witnessed a series
7 of events and decisions that were warning signs of problems. As notes in a memo, from
8 Chairman Henry Waxman and Representative Bart Stupak,
9

10 The information from BP identifies several new warning signs of problems.
11 According to BP there were three flow indicators from the well before the explosion.
12 One was 51 minutes before the explosion when more fluid began flowing out of the
13 well then was being pumped in Another flow indicator was 41 minutes before the
14 explosion when the pump was shut down for a sheen" test, ye the well continued to
15 flow instead of stopping and drill pipe pressure also unexpectedly increased. Then, 18
16 minutes before the explosion, abnormal pressures and mud returns were observed and
17 the pump was abruptly shut down. The data suggests that the crew may have
18 attempted mechanical interventions at that point to control the pressure, but soon
19 after, the flow out and pressure increased dramatically and the explosion took place.

20 Further, BP's preliminary findings indicate that there were other events in the 24
21 hours before the explosion that require further inquiry. As early as 5:05 p.p., almost 5
22 hours before the explosion, an unexpected loss of fluid was observed in the riser pipe,
23 suggesting that there were leaks in the annular preventer in the BOP. Two hours
24 before the explosion, during efforts to begin negative pressure testing, the system
25 gained 15 barrels of liquid instead of the 5 barrels that were expected, leading to the
26 possibility that there was an "influx from the well." A cementer witness stated that
27 the "well continued to flow and spurted." Having received an unacceptable result
28 from conducting the negative pressure test through the drill pipe, the pressure test was
then moved to the kill line where a volume of fluid came out when the line was
opened. The kill line was then closed and the procedure was discussed; during this
time, pressure began to build in the system to 1400 psi. at this point, the line was
opened and pressure on the kill line was bled 0 psi , while pressure on the drill pipe
remained at 1400 psi BP's investigator indicated that a "fundamental mistake" may
have been made here because this was an "indicator of a very large abnormality." The
Kill line then was monitored and by 7:55 p.m. the rig team started displacing the
remaining fluids with seawater, leading to the three flow indicators described above.

1 Several concerns identified by BP relate to the cementing process. Cement work that
 2 was supposed to hold back hydrocarbons failed, allowing the hydrocarbons into the
 3 well bore. The float collar used in the cementing process did not initially operate as
 4 intended and required 9 attempts with higher than usual pressures to function
 5 properly. Moreover, the float test performed after cementing may not have been
 6 definitive, leading to concern that there may have been contamination of the cement
 7 due to density difference between the cement and the drilling mud.

8 In addition, Key questions exist about whether proper procedures were followed for
 9 critical activities throughout the day. Negative pressure testing was initially done on
 10 the drill pipe rather than the kill line even though the drill plan specified that it would
 11 be done on the kill line. After anomalous results, the negative pressure testing was
 12 conducted on the kill line and ultimately accepted. Evidence suggests that spacer fluid
 13 used during the displacement of drilling fluid with seawater did not rise above the
 14 BOP to the level required by the drilling plan; this increased pressure in this drill pipe
 15 and may have interfered with the monitoring of the flow levels from the well because
 16 the mud was transferred to another boat instead of measure in the mud pits.
 17 Moreover, mudloggers were not informed when the offloading of drilling mud to the
 18 other boat was stopped.

19 Several concerns about the blowout preventer was identified by BP including the
 20 failure of its emergency disconnect system (EDS), the failure of its automated mode
 21 function or deadman switch, the failure of the BOP's shearing functions, and the
 22 failure of the remote operated vehicle interventions. The BP investigation has also
 23 raised concerns about the maintenance history, modification, inspection, and resting
 24 of the BOP.

25 46. BP executive vice president for the Americas and Asia acknowledged, "there is
 26 no doubt that this event will change the offshore industry forever, around the globe." U.S.
 27 Interior Secretary Ken Salazar, has stated, "there were very major mistakes that were made by
 28 companies involved...[BP's] life is very much on the line here."

29 **COUNT 1**
 30 **For Violation of Section 10(b) of the 1934 Act and Rule 10b-5**

31 47. Plaintiff incorporates 1-45 by reference.

32 48. During the class period, Defendants disseminated or approved the false statements
 33 specified above, which they knew or recklessly disregarded were misleading in that they
 34

contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which there were made, not misleading.

49. Defendants violated 10(b) of the 1934 Act and Rule 10b-5 in that they:

- g. Employed devices, schemes, and artifices to defraud;
- h. Made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which there were made, not misleading; or
- i. Engaged in acts, practices, and a course of business that operated as a fraud or deceit upon Plaintiff and others similarly situated in connection with their purchases of BP ADRs during the class period.

50. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for BP ADRs and suffered damages when that inflation was eliminated by disclosure of information that revealed the facts and conditions hidden by Defendants' fraudulent statements and omissions, or the economic impact of those facts and conditions. Plaintiff and the Class would not have purchased BP ADRs at the process they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by Defendants' misleading statements.

51. As a direct and proximate result of these Defendants' wrongful conduct, Plaintiff and the other member of the Class suffered damages in connection with their purchases of BP ADRs during the class period.

Count II
For Violation of Section 20(a) of the 1934 Act

52. Plaintiff incorporates 1-51 by reference.

53. Defendant Hayward acted as a controlling person of BP within the meaning of 20(a) of the 1934 Act. By reason of his position at BP and his ownership of BP stock, Defendant Hayward had the power and authority to cause BP to engage in the wrongful conduct complained of herein.

1 54. BP controlled Defendant Hayward and all of its employees.

2 55. By reason of such conduct, Defendant Hayward and BP are each liable pursuant
3 to 20(a) of the 1934 Act.

4 **PRAYER FOR RELIEF**

5 WHEREFORE, Plaintiff prays for judgment as follows:

6 A. Declaring this action to be a proper class action pursuant to Fed. R. Civ. P. 23;
7 B. Awarding Plaintiff and the class members damages, including interest;
8 C. Awarding Plaintiff reasonable costs and attorney's fees; and
9 D. Awarding such equitable/injunctive or other relief as the Court may deem just
10 and proper.

11 **DEMAND FOR JURY TRIAL**

12 Plaintiff hereby demands a trial by jury on all claims so triable.

13 14 Respectfully submitted,

15 Dated: September 30, 2010

16 THE TERRELL LAW GROUP
17 AMAMGBO & ASSOCIATES

18 
19 REGINALD TERRELL, ESQ.

20 21 22 23 24 25 DONALD AMAMGBO, ESQ.
AMAMGBO & ASSOCIATES
Post Office Box 13315, PMB #148
Oakland, California 94661
Telephone: (510) 615-6000
Facsimile: (510) 615-6025

26 27 28 REGINALD TERRELL, ESQ.
THE TERRELL LAW GROUP
Post Office Box 13315, PMB #148
Oakland, California 94661
Telephone: (510) 237-9700
Facsimile: (510) 237-4616